



# John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89<sup>TH</sup> ASSEMBLY DISTRICT

**State Representative John Nygren**  
**Testimony on the Small Business Regulatory Relief Act**

*Assembly Committee on Jobs, Economy and Small Business*

*May 24, 2011*

*328 Northwest – 11:00 AM*

Good morning Chairperson Williams and members of the committee,

I would first like to thank you for bringing this legislation in front of your committee for a public hearing. There is no doubt that the Republican Majorities in each wing of the capitol have made job creation and economic development a priority for this legislative session. We will continue to show the citizens of Wisconsin and people across the nation that we are certainly "Open for Business".

In order to accomplish Governor Walker's goal of creating 250,000 jobs by 2014, we need to take some very bold steps as well as clean up some existing infrastructure in our business climate.

Wisconsin's economy houses some of the finest entrepreneurs in the nation. The Midwestern work ethic is alive and well in Wisconsin's small businesses. Our state's economy and its people depend on these businesses for consumption, employment, and economic development.

The Small Business Administration states that small businesses, which employ nearly 52% of Wisconsin's workforce and make up nearly 98% of the state's businesses, are the "key to the state's well-being." Some of the largest industries in regards to employment for small businesses include healthcare, manufacturing, and retail trade.

Also, over the last several years, small business ownership has continually increased for minority and woman owned businesses. Small business ownership, among African Americans, has increased by nearly 68% since 2000.

But small business owners all over Wisconsin will continually cite two problems with the economic climate in Wisconsin...taxes and excessive regulation. Today, we will concentrate on the regulation portion of this equation.

The National Federation of Independent Businesses has found that complying with federal regulations costs small businesses nearly \$11,000 per employee each-and-every year. In 2010, federal agencies released 43 new rules costing small businesses a total of \$28 billion—the highest level since 1981.

The Small Business Regulatory Relief Act, AB 70, makes positive changes to the makeup of the small business regulatory review board, establishes a much more effective level of jurisdiction over rules, and requires agencies to be flexible with small businesses when enforcing administrative rules.

First off, the Small Business Regulatory Review Board is a board, comprised of 17 members, nine (9) representing government agencies, six (6) representing small business owners, and two (2) of which represent the respective small business committees in each house of the legislature. This board was created in 2003 as part of Governor Doyle's "Grow Wisconsin" initiative.

The Small Business Regulatory Review Board is designed to provide small business owners with an opportunity to effectively and efficiently voice concerns over administrative rules. The recommendations and changes made by the board are not binding and simply get referred back to the agency in which the rules were promulgated. The agency can then decide whether they would like to utilize or disregard the recommendations made by the board.

Unfortunately, over the years, small business representatives on the board have had their voices drowned out from the government bureaucrats who are in the majority (9 agency members, 6 small business members, and 2 members of the legislature). This bill simply allows those small businesses to have an open and honest discussion about proposed rules. The bill eliminates the requirement for a representative from each government agency to be appointed to the board and increases the number of small business representatives by one (1) (7 small business members and 2 members of the legislature).

Currently, the chairs of both the Senate and the Assembly committees on small business are appointed to the board. This bill keeps that requirement.

Secondly, the bill changes requirements relating to which proposed rules are forwarded onto the Small Business Regulatory Review Board. Currently, a rule that has been deemed by the rule-making agency to have a "significant" impact on small business must be referred to the board. I believe that small business owners, not government agencies, know best how these rules will affect their industries.

In essence, we should allow small business owners to determine whether or not the rule has a significant impact on their business or other small businesses. This bill requires **ALL** proposed rules that have any sort of impact on small business to be referred to the board. Then, the board determines if the rule has a significant impact on a substantial number of small businesses. If so, it is taken up by the board. If not, it is referred back to the rule-making agency.

Lastly, the bill requires agencies, to the extent possible, to mitigate potential effects of administrative rules by:

- 1.) Providing assistance to small businesses so they can comply with rules promulgated by the agency.
- 2.) Establish reduced fines and alternative enforcement mechanisms for minor violations of administrative rules.
- 3.) Consider the use of a written warning or alternative penalty against a small business found to be in violation of certain rules.

The companion bill to this legislation in the State Senate, Senate Bill 47, passed unanimously out of the Senate Committee on Workforce Development, Small Business, and Tourism and passed the State Senate by a voice vote earlier this month.

Again, I would like to thank Chairperson Williams for scheduling the Small Business Regulatory Relief Act for a hearing today.

I would be more than willing to entertain any questions you may have at this time.



**Testimony submitted on Tuesday, May 24, 2011 before the**  
**Assembly Jobs, Economy and Small Business Committee**  
**in support of 2011 Assembly Bill 70/Senate Bill 47**

Good morning.

Chairwoman Willams and members of the Assembly Jobs, Economy and Small Business Committee, my name is Brian Dake, Legislative Director for Wisconsin Independent Businesses. On behalf of WIB and its 12,000 members, I am here to testify in support of 2011 Assembly Bill 70 and Senate Bill 47.

Small, independent businesses must comply with a vast array of government rules and regulations. According to a recent report by the Small Business Administration, small businesses spend more than \$10,500 per employee every year to comply with government rules and regulations. Needless to say, Wisconsin Independent Businesses supports regulatory relief and reform.

We appreciate the efforts of legislators this session to provide more accountability and transparency to the state government rule-making process. Accountability and transparency are important, but so too is meaningful input, particularly for those rules that impact the bottom line of small businesses. AB 70/SB 47 achieves that objective.

Under this bill, a Board comprised of small business owners will review proposed rules and make their own determination of whether the proposed rule has a significant economic impact. If the Board determines the proposed rule has a significant economic impact, the Board may submit suggested changes to reduce the economic impact of the proposed rule or recommend that the proposed rule be withdrawn. This upfront input from small businesses will help to ensure that the costs as well as the benefits of proposed state government rules and regulations are taken into account.

Beyond that, this legislation recognizes the challenges small businesses face every day as they try to comply with state government rules and regulations. Many of them can't afford to have in-house counsel or a full-time compliance officer to advise them on compliance matters. These duties are added to the long list of other daily responsibilities handled by the small business owner. Providing them with a single point contact person at each state agency who they can call to answer compliance-related questions will help reduce this burden.

Finally, WIB appreciates the bill's provision to require state agencies to establish reduced fines and alternative enforcement mechanisms for minor violations of rules and regulations by small businesses. Good faith efforts on the part of small business owners to comply with state government rules and regulations should be recognized by regulators. In turn, regulators should have the flexibility to take the steps necessary to bring small businesses into compliance.

Thank you.



**Wisconsin**

**Statement Before the  
Assembly Committee on Jobs, Economy and Small Business**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Tuesday, May 24, 2011  
Assembly Bill 70/Senate Bill 47**

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Madam Chairman and members of the Committee, I appreciate the opportunity to share with you a statement on behalf of the 12,000 members of NFIB located throughout our state.

In 1980, President Jimmy Carter signed into law the then historic Regulatory Flexibility Act.

However, since 85 percent of Wisconsin firms have fewer than 20 employees, and three out of every four employ fewer than 10 workers, we quickly learned the need for more effective regulation of small business did not stop at the federal level.

In 1983, Governor Tony Earl signed into law a state version of the Regulatory Flexibility Act as part of the 1983 special session on economic development.

In 1996, and again in 2002, the federal Regulatory Flexibility Act was amended to improve it's effectiveness and efficiency in meeting the goals of the federal regulatory flexibility law.

In 2003, the Legislature enacted into law the Small Business Regulatory Fairness Act, the first revisions to Wisconsin's regulatory flexibility law which was enacted in 1983.

These laws call on government to be more sensitive to how regulations impact small business. The goal of the regulatory flexibility concept is to help government understand and address the inequity and basic unfairness of regulating Al's Garage in Rhineland the same as Briggs and Stratton in Milwaukee.

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**NFIB/Wisconsin – Statement on Assembly Bill 70/Senate Bill 47 – continued**  
**Tuesday, May 24, 2011**

To illustrate the disproportionate impact of the regulatory burden on small business, the Small Business Administration says businesses with fewer than 20 employees on average pay 36 percent more to comply with federal regulations than big business. Compliance with environmental regulations cost 364 percent more in small firms than in large firms. The cost of tax compliance is 206 percent higher in small firms than the cost in large firms. The compliance cost per employee for small manufacturers is more than double the compliance cost for medium-sized and large firms (110 percent and 125 percent, respectively).

According to SBA's Office of Advocacy, small business spends up to 80 percent more per employee complying with regulations than big business. And while small business employs 53 percent of the workforce, small business shoulders about 63 percent of the total cost of regulations.

The 2003 Small Business Regulatory Fairness Act, signed into law by Governor Jim Doyle, included the creation of a Small Business Regulatory Review Board, and was also the first revisions to the Wisconsin regulatory flexibility law since enactment in 1983.

Assembly Bill 70/Senate Bill 47, the Small Business Regulatory Relief Act, includes provisions that will streamline the regulatory review process, modify the membership of the Small Business Regulatory Review Board.

We believe this legislation addresses the procedural problems encountered by the Small Business Regulatory Review Board, and would also restore and promote a regulatory process that is fairer, simpler, and more cost effective for small business and the regulators.

In today's regulatory environment, small business owners often find themselves unsure of their compliance status, unaware of new regulations under development, uninvolved in the rule-making process, and uncertain of who to call for help within a state agency.

Studies by NFIB show a majority of our members find it is impossible to have knowledge and be in compliance with all the regulations that affect their business. And one in five small business owners believe the cost of regulations has caused them to eliminate jobs, or forced them to postpone the growth or expansion of their business.

Faced with unprecedented economic challenges, it is essential that regulatory barriers to small business growth and job creation be removed.

Assembly Bill 70 and Senate Bill 47, which passed the Senate on a Voice Vote, will significantly improve the regulatory process, increase regulatory compliance, promote more cost effective regulatory enforcement, and strengthen Wisconsin's economy by reducing the negative impact of regulations on our Main Street small businesses.

We are grateful to Representative Nygren, Senator Moulton, and all the co-sponsors of this important legislation, and **I urge members of the Committee to act promptly and favorably for passage.**

Thank you for your consideration.